Natural Resources Canada | Ressources naturelles Canada

Fuel Focus

Understanding Gasoline Markets in Canada and Economic Drivers Influencing Prices

Volume 7, Issue 18

September 21, 2012

Canada

Copies of this publication may be obtained free of charge from:
Natural Resources Canada
Petroleum Resources Branch
580 Booth Street, 17th Floor
Ottawa, Ontario K1A 0E4
Phone: (613) 992-9612
TTY Service: (613) 996-4397 (Teletype for the hearing-impaired)
Fax (613) 992-0614
Email: prb.drp@nrcan-rncan.gc.ca
Web site: http://nrcan.gc.ca/eneene/focinf-eng.php

© Her Majesty the Queen in Right of Canada 2012

ISSN 1918-3321

Aussi offert en français sous le titre *Info-Carburant*

Fuel Focus

Volume 7, Issue 18
September 21, 2012

National Overview

Canadian Retail Gasoline Prices Increased 2 Cents per Litre from Last Week

For the week ending September 18, 2012, Canadian average retail gasoline prices increased by 2 cents per litre from the previous week to $1.35 per litre—a five-month high.

Diesel fuel prices increased by nearly 1 cent per litre to $1.27 per litre. Furnace oil prices rose by less than 1 cent per litre to $1.18 per litre from the previous week.

The increase in retail gasoline prices reflects the rise in North American wholesale gasoline prices and, in turn, higher world crude oil prices.

Figure 1: Crude Oil and Regular Gasoline Price Comparison (National Average)

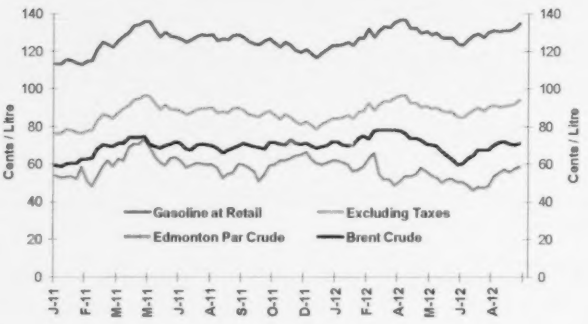
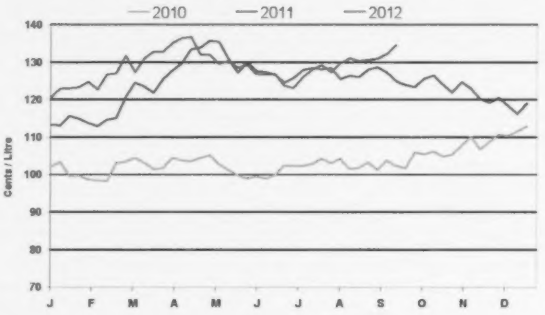


Figure 2: Weekly Regular Gasoline Prices



Recent Developments

- **OECD Refineries Increase Throughputs as Product Prices Rise**: According to the International Energy Agency (IEA) Oil Market Report, OECD refineries significantly increased their throughputs last month amid rising product prices, drawing down crude supplies. The increase was a reaction to low product inventories and higher margins in the OECD. Global throughputs are expected to remain at those elevated levels for the remainder of the year, as increases in refining capacity in non-member countries offset the onset of seasonal refinery maintenance in the OECD. (Source: IEA, http://iea.org/newsroomandevents/news/2012/september/name,31340,en.html)

- **Increase in Domestic Gasoline Sales:** Motor gasoline sales increased nearly 8% to 19 billion litres in the first five months of 2012 compared to the same period in 2011. Diesel fuel sales rose 3% to 12 billion litres, while light fuel oil (furnace oil) decreased 14% to 1.5 billion litres in the same time period. (Source: NRCan and Statistics Canada)

Changes in Fuel Prices

	Week of:	Change from:	
¢/L	2012-09-18	Previous Week	Last Year
Gasoline	134.6	+2.4	+9.7
Diesel	127.1	+0.8	+3.5
Furnace Oil	118.0	+0.2	+4.6

Source: NRCan

In this Issue

	page
National Overview	1
Recent Developments	1
Retail Gasoline Overview	2
Wholesale Prices	3
Refining and Marketing Margins	4
Crude Oil Overview	5

Retail Gasoline Overview

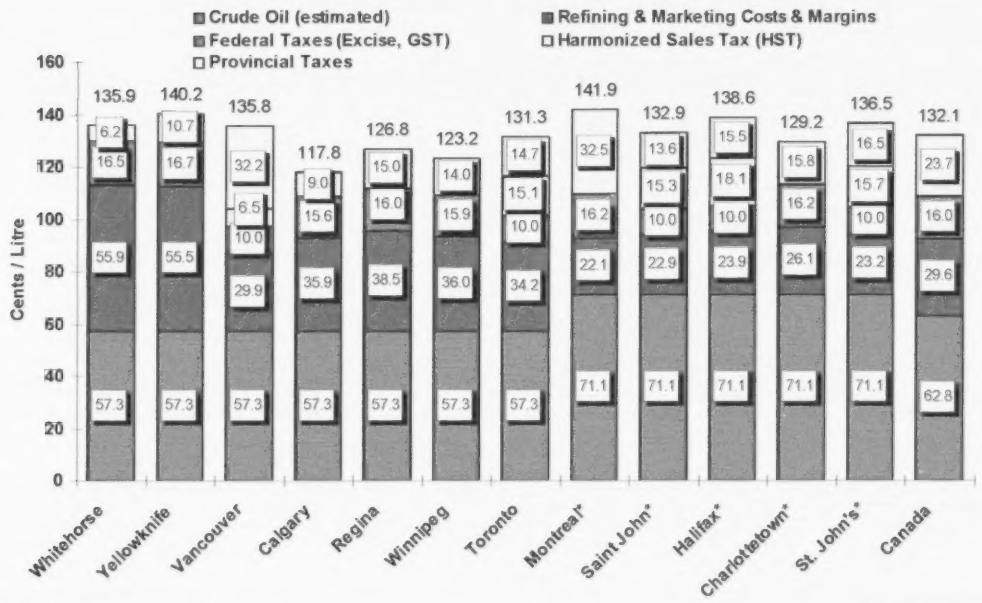
The average Canadian pump price in selected cities for the **four-week average** ending September 18, 2012, was $1.32 per litre. However, this represents a 5 cent-per-litre increase compared to the same period in 2011.

The **four-week average** crude oil price increased by 1 cent per litre to 63 cents per litre compared to two weeks ago. The crude oil cost component represents nearly 48% of the total pump price.

Retail gasoline prices in most Western centres—Vancouver to Winnipeg—increased by less than 1 cent per litre when compared to the previous report and ranged from $1.18 per litre to $1.36 per litre. Prices in Eastern cities—Toronto to St. John's—increased by 3 cents per litre and ranged from $1.29 to $1.42 per litre.

At the national level, refining and marketing costs and margins remained unchanged at 30 cents per litre helping to moderate the increase of the crude oil component of the retail price.

Figure 3: Regular Gasoline Pump Prices in Selected Cities
Four-Week Average (August 28 to September 18, 2012)



Source: NRCan

* *Regulated Markets*

Wholesale Gasoline Prices

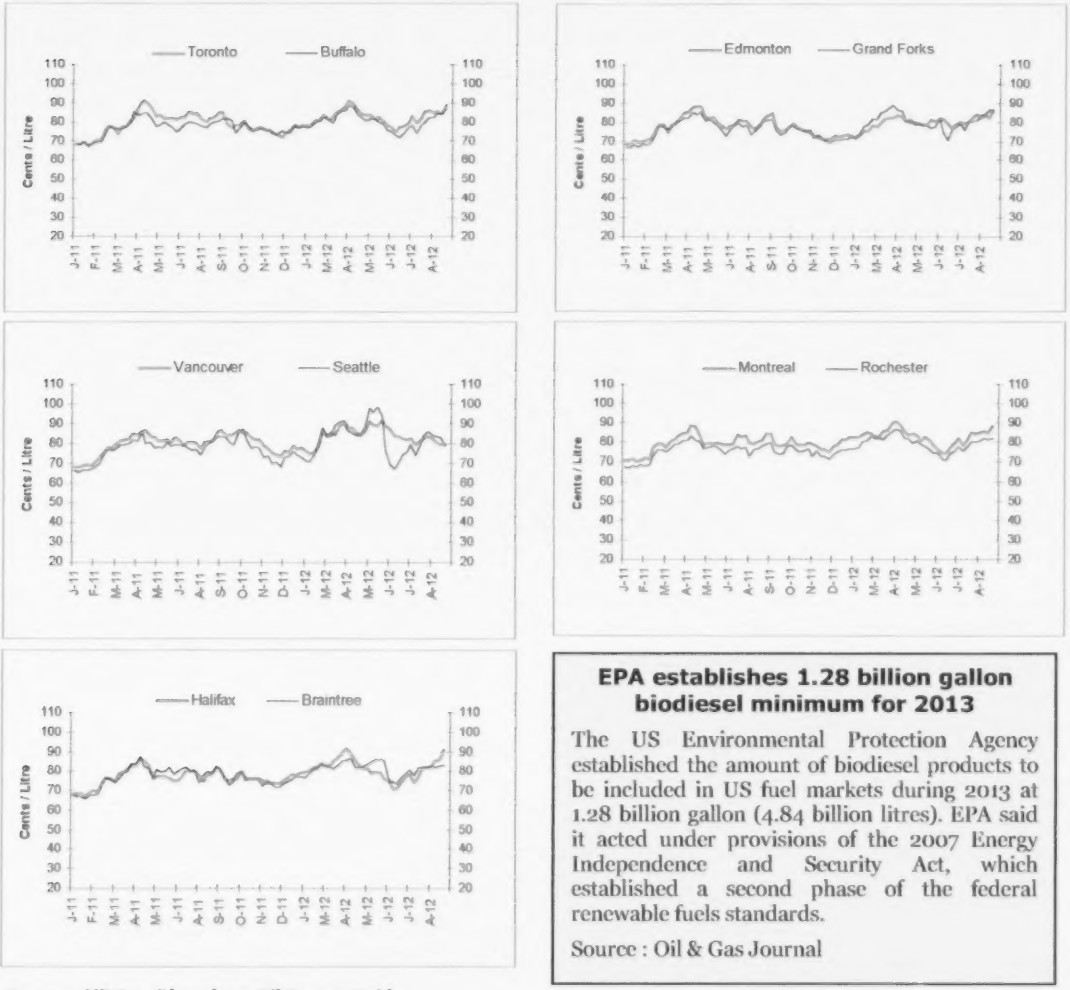
Wholesale gasoline prices increased in 7 of 10 selected Canadian and American centres for the week ending September 13, 2012.

Wholesale gasoline price changes from the week of September 6, 2012 ranged from an increase of 5 cents per litre to a decrease of almost 5 cents per litre. Prices ended the period in the 79 to 91 cent-per-litre range.

In the Eastern markets of Canada and United States, wholesale gasoline prices ranged from 82 cents per litre to 91 cents per litre. All Eastern centres experienced price increases this week ranging from less than 1 cent per litre in Rochester to 5 cents per litre in Halifax.

Wholesale gasoline price changes in the Western centres varied from an increase of 4 cents per litre to a decrease of almost 5 cents per litre, ending in the range of 79 to 87 cents per litre.

Figure 4: Wholesale Gasoline Prices
Rack Terminal Prices for Selected Canadian and American Cities Ending September 13, 2012
(Can ¢/L)



Sources: NRCan, Bloomberg Oil Buyers Guide

EPA establishes 1.28 billion gallon biodiesel minimum for 2013

The US Environmental Protection Agency established the amount of biodiesel products to be included in US fuel markets during 2013 at 1.28 billion gallon (4.84 billion litres). EPA said it acted under provisions of the 2007 Energy Independence and Security Act, which established a second phase of the federal renewable fuels standards.

Source : Oil & Gas Journal

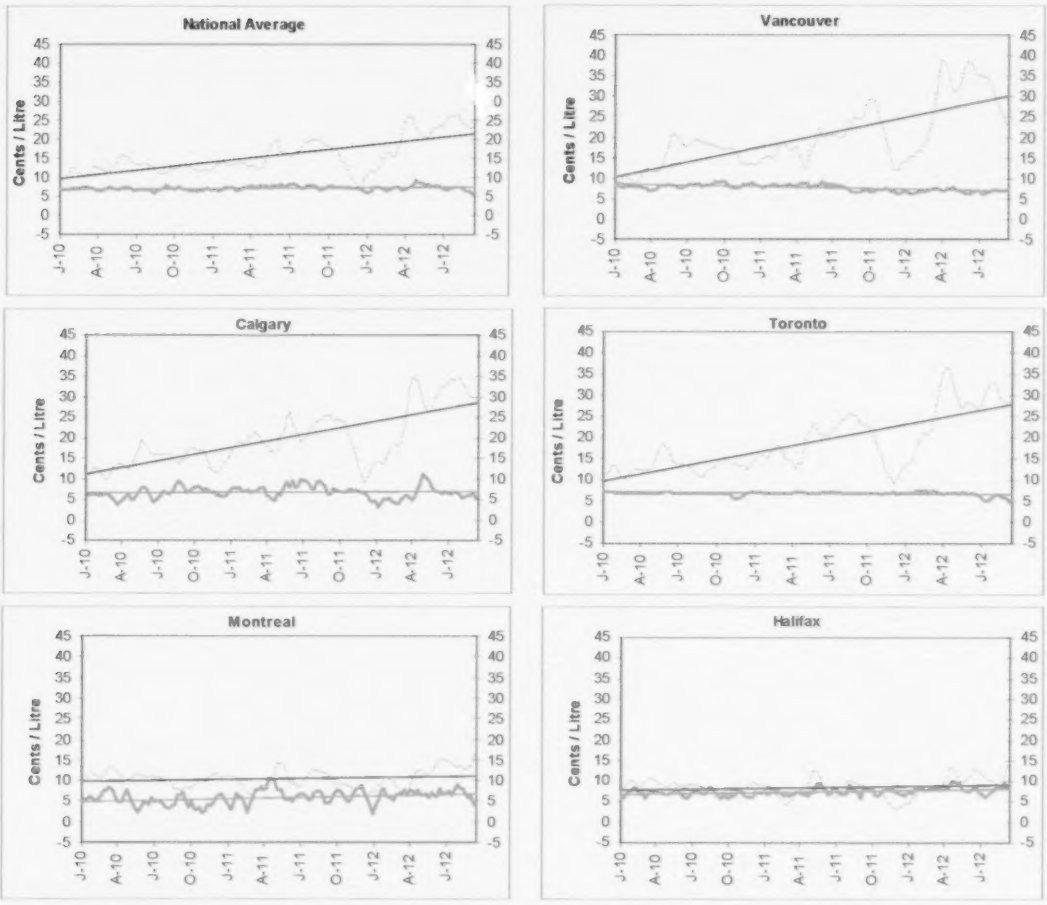
Gasoline Refining and Marketing Margins

Four-week rolling averages are used for gasoline refining and marketing margins.

Gasoline refining margins fluctuated downward in the last six weeks, reflecting an adequate supply in the North American distribution system. Margins are hovering at 23 cents per litre at the national level for the week ending September 18, 2012, an increase of 4 cents per litre compared to the same period last year.

Overall, marketing margins hovered at around 6 cents per litre—less than a 1 cent-per-litre decline compared to the same time last year. For the five centres, marketing margins ranged from a low of 5 cents per litre in Montreal to a high of 9 cents per litre in Halifax.

Figure 5: Gasoline Refining and Marketing Margins
Four-Week Rolling Average Ending September 18, 2012
------- Refining Margin ——— Marketing Margin



Source: NRCan

Crude Oil Overview

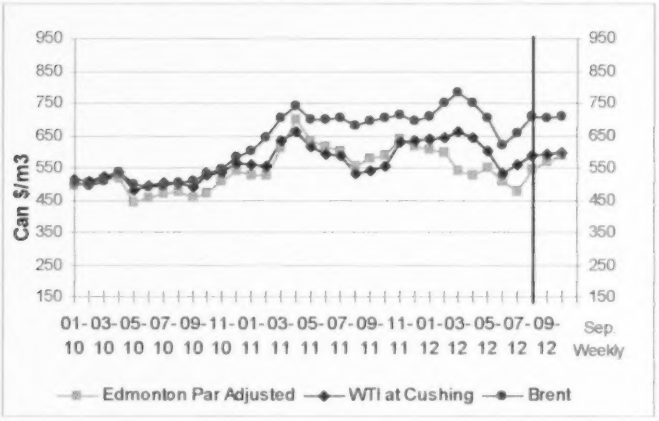
Crude Oil Prices Remain Firm

For the week ending **September 14, 2012**, prices for the three marker crudes averaged between $588/m³ and $710/m³, (US$96 to US$116 per barrel). Compared to the previous week, the price for Edmonton Par increased by $20/m³ (US$4 per barrel) while the WTI and Brent increased by $2/m³ (US$2 per barrel), respectively.

World crude oil prices firmed up slightly for the week ending September 14, 2012, despite lackluster economic outlook, particularly in the Euro zone. Prices also firmed up following tensions in the Middle East due to the Iranian conflict and a film seen as ridiculing the Muslim faith, causing concerns on energy markets fearing this could lead to potential supply disruptions.

The US Federal Reserves announcement of an aggressive plan to stimulate stock prices also contributed to firming up crude oil prices. Indeed, the US Federal Reserve announced a plan to buy $40 billion of mortgage securities each month until the economy improves while keeping low-level interest rates.

Figure 6: Crude Oil Price Comparisons



Changes in Crude Oil Prices

Crude Oil Types	Week Ending: 2012-09-14		Change From:			
			Previous Week		Last Year	
	$Can/m³	$US/bbl	$Can/m³	$US/bbl	$Can/m³	$US/bbl
Edmonton Par	588.11	95.98	+20.27	+4.29	+4.70	+2.21
WTI	598.05	97.61	+6.22	+2.00	+44.74	+8.67
Brent	709.72	115.83	+5.95	+2.15	+7.95	+3.03

Source: NRCan

U.S. Short-Term Energy Outlook

The US Energy Information Administration (EIA) expects U.S. total crude oil production to average 6.3 million barrels per day (bbl/d) in 2012, an increase of 0.7 million bbl/d from last year. Projected U.S. domestic crude oil production increases to 6.8 million bbl/d in 2013, the highest level of production since 1993.

Brent crude oil spot prices have increased at a relatively steady pace from their 2012 low of $89 per barrel on June 25 to their recent high of $117 per barrel on August 23 because of the seasonal tightening of oil markets and continuing unexpected production outages. EIA expects Brent crude oil prices to decrease over the rest of 2012 from the recent highs, to average $111 per barrel over the last 4 months of 2012 and $103 per barrel in 2013.

West Texas Intermediate (WTI) crude oil spot prices rose by a more modest $17 per barrel between June 25 and August 23, as the WTI discount to Brent crude oil widened from $10 to $22 per barrel. EIA expects WTI spot prices to average $93 per barrel in 2013, with the WTI discount to Brent narrowing to $9 per barrel by the end of the 2013.

Source: US EIA, September 11, 2012, http://www.eia.gov/forecasts/steo/pdf/steo_full.pdf